



# TOWN *of* WAKE FOREST

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May 3, 2011

Honorable Mayor Vivian Jones  
Commissioner Frank Drake  
Commissioner Anne Hines  
Commissioner Chris Kaeberlein  
Commissioner Margaret Stinnett  
Commissioner Pete Thibodeau

Mayor and Town Commissioners:

Submitted for your consideration is the proposed budget for the Town of Wake Forest for the fiscal year beginning July 1, 2011. This budget has been prepared in accordance with the North Carolina Local Government Budget and Fiscal Control Act. The budget is balanced and identifies estimates for all revenues and expenditures for Fiscal Year (FY) 2011-12.

## INTRODUCTION

It seems that I could have copied last year's budget message and just reused it. The "long, harsh winter" phrase that I have used to describe the state of the economy for the past two years still applies. It is a roller coaster of events that continues to keep the global as well as the local economy in a state of chaos. Just when the unemployment rate seems to be going down and the stock market seems to be going up, which symbolize that private businesses are recovering; both the Federal and many of the state governments are having greater budget problems. The State of North Carolina has a significant budget deficit to deal with and we can only hope they balance their budget without causing us at the local level to suffer further. Gas prices are trending upward which will slow down any economic recovery that is occurring. Predictions are that a gallon of gas might reach the \$5.00 - \$6.00 range this summer, which will cause a ripple effect on everything from the cost of services to the price of food. To make matters worse, natural disasters like recent earthquakes in Japan and New Zealand or the tornadoes in the United States, including the worst outbreak in North Carolina in over 20 years, will lead to higher construction costs due to construction material shortages. And let's not forget the continuing political unrest in the Middle East and the effect it has on the Federal budget as the United States tries to protect its interests abroad.

With all the "doom and gloom" to capture our attention, the outlook for Wake Forest is not as bleak. The recent US Census numbers show that we are now a town of approximately 30,000. Wake County building permit numbers show that we are one of a very few towns in the county that showed an increase in building permits for the past calendar year. Our accurate revenue projections for this current year, coupled with our prudent spending practices have kept us on firm financial footing. The slow but steady growth and the sound financial management has allowed Wake Forest to continue to excel during these tough economic times when many local governments in North Carolina have had to close facilities, lay off employees and cut services to their citizens.

These tight economic times still limit our ability to embark on new projects. We are faced with the reality that we must continue to make wise and prudent decisions to allocate our financial resources. We must protect our investments of the past and be careful with our investments in the future. Sound and conservative decisions are the key to continued success in the future.

## **BUDGET EMPHASIS**

At the January 2011 Town Board planning session, the final list of goals was fairly small. This is indicative of the economic times we face. Both the Board and senior staff realize that this is not the time to embark on new initiatives. As was the case for the past two budget years, we must focus on our existing assets, services and programs. We must make wise use of our resources to protect our infrastructure and our dedicated employees. We will continue to place our emphasis on maintaining current levels of service to our citizens, while continuing to be conservative in our revenue projections and prudent in our use of reserves. As always, we are striving to keep tax and utility rates as reasonable as possible. The budget addresses the goals established at the January 2011 Town Board planning session. The critical areas on which to focus are personnel and capital.

When you compare us to other municipalities in the area, I still consider us to be a “lean” organization. We get the job done with a smaller workforce. This is a credit to our hard-working employees, their supervisors who make the most efficient use of their resources and to the Town Board which has provided the pay and benefits to hire and retain good employees. Pressure to maintain our high quality of municipal services will require us to add four positions this coming year. Three positions will be in the Police Department and one in the Finance Department. In addition, we are converting one part-time position in Communications to a full-time position. We continue to take measures to hold down costs. As with the current budget, no cost of living adjustment (COLA) is recommended. The career ladder will remain suspended in those three departments that have them. Six of the seven positions that are currently frozen in Parks and Recreation, Inspections and Electric Distribution will remain frozen. The seventh frozen position will be activated and replace a higher paying, currently vacant position that we will eliminate. A vacant position in Inspections will be left unfilled until January. The two most important pieces of our Pay and Classification Plan will remain in place. These are the annual market adjustments to the Plan and funds for merit increases, although funded at a lower level. These are critical to the Town to provide and maintain a Pay and Classification Plan which gives the Town the ability to recruit and retain quality employees.

Over the past two budget years, we have significantly reduced expenditures on capital projects to help deal with the economic realities. We have again significantly curtailed our capital expenditures this coming year as compared to our approved Capital Improvements Plan. The focus continues to be on those capital expenditures that preserve our capital assets and allow us to maintain services at the current levels. Approximately \$3.1 million is budgeted for capital items in the General Fund which is above levels in both FY 2009-10 and FY 2010-11 but is still 18% below FY 2008-09. In the Electric Fund, approximately \$1.1 million is budgeted which is slightly more than FY 2010-11. Funding sources used include current revenues, capital reserve, installment purchase and fund balance. It should be noted that significant reserves and fund balance were utilized in the General Fund to avoid further cuts in other areas or a recommendation of a tax increase.

## **REVENUE SUMMARY**

The recommended property tax levy, based on a tax rate of \$0.51 per \$100 of assessed value, an estimated tax base of \$3,631,518,270(Wake County) and \$56,729,342(Franklin County) and a collection rate of

96.75%, is \$18,198,740. The tax rate remains unchanged from this past year. The tax rate can be broken down into \$0.41 for Town services and \$0.10 for contracted fire services.

The recommended tax rate for the Downtown Municipal Service District is \$0.14 per \$100 of assessed value. This remains unchanged from this past year. The revenues from this service district aid in funding various downtown projects including assistance to the DRC's efforts.

In the area of other rates and fees, water and sewer rates were increased this current year by 5%. This was done to maintain a margin between Raleigh's retail rates and the former Wake Forest retail customers' rates. This margin helps to pay off the cost of the merger transition. Raleigh is planning on raising their retail rates again this coming year. We are not recommending another percentage increase at this time but we are recommending increasing the base charge on water accounts to match Raleigh's base charge. This would cause a \$0.41 monthly increase for each water customer. This will help us stay on track to complete the transition period within a reasonable time. No electric rate increase is proposed at this time. At the present time, NCEMPA is not contemplating a change in wholesale rates for the coming year. Other fee increases include facility rental rates in Parks and Recreation and the vehicle registration fee. This fee, collected for us by Wake County, would increase from \$5 to \$15 per vehicle.

Due to the current economic conditions, we continue to be very conservative in our projections of those revenues which are affected by changes in the economy. These revenues include sales tax, interest income and building and inspection fee collections. To help meet revenue needs in the General Fund, \$1,574,485 of fund balance is appropriated. For the most part, these funds will cover one time capital expenditures. By maintaining a healthy fund balance the Town is able to deal with emergencies and unusual expenditures when the need arises. A healthy fund balance also plays a critical role in our bond ratings which translates into being able to borrow funds at extremely competitive rates. A portion of revenue requirements in the General Fund is being met by interfund transfers in the amount of \$815,300.

## **EXPENDITURE SUMMARY**

### **PERSONNEL**

As stated earlier, four (4) new positions are recommended for funding. Those positions are two Police Officers and a Sergeant in Public Safety and a Financial Operations Manager in Finance. The Police Officers will serve on patrol, bringing all four squads to the same manpower level and the Sergeant will provide needed supervision in Support Services. For the last several years, our external auditors have stated we need additional staff in Finance to maintain our sound financial standing. With the ever increasing reports to produce, our AAA bond status, and our needs to manage ever tightening budgets; we can no longer delay this position. Also stated previously, we are changing the Communications Specialist in the Communications Department from part-time to full-time due to work load. The six (6) positions that will remain frozen are a program coordinator for Cultural Arts in Parks and Recreation; a Senior Code Enforcement Officer and a Code Enforcement Officer in Inspections and three Powerline Technicians in Electric Distribution. The seventh previously frozen position (Program Coordinator – Urban Forestry in Parks and Recreation) will be activated. The urban forestry program function is currently being performed by an Assistant Planning Director position in the Planning Department. That position is currently vacant and the responsibilities for urban forestry are being handled by the Director this current year but cannot be long term. The other duties, that this vacant position is responsible for, can be handled by present Planning staff due to the slowdown in development and construction. At this time, it makes practical sense to place the urban forestry function where it was intended to be by activating a lower salaried position and eliminate a

higher salaried position that is currently not needed. This has a net positive effect on personnel costs for the General Fund. As mentioned previously, a vacant Code Enforcement Officer position in Inspections will be left unfilled until January as a temporary cost saving measure. Current workload in Inspections can be handled by present staff until then.

No COLA is recommended. Health insurance premiums will increase 14%. The second year of the state mandated increases in employer contributions to the Local Government Employees Retirement System (LGERS) takes effect this year. This is the second of several annual increases planned by the LGERS to keep the system financially sound. The impact on the General Fund is a \$69,275 increase and on the Electric Fund is a \$2,105 increase. Performance pay funds (funded at half their current level) and pay and classification plan maintenance funds are included.

## **CAPITAL OUTLAY**

Funding for capital rises above levels of the two prior years but is still significantly below FY 2008-09 levels. Our focus is on current projects that have been designed or are under construction and need completion and those items that are most critical to maintaining our capital assets. We relied heavily on installment financing, capital reserve funds and fund balance. The installment financing will be discussed in the next section. Capital reserve funds will be used for funding the columbarium (carried forward from this year), Neuse River greenway and soft trail construction, and a K-9. Fund balance utilized this year focuses on one time/non-recurring capital items such as the Alston-Massenburg Center renovations, Police Station renovations, other various building renovations, E. Wait Street retaining wall, and local matches for State transportation projects. The past Boards' decisions of maintaining adequate fund balance and capital reserve funds affords us opportunities for flexibility in funding capital items especially during these tough economic times. Minor capital items have also been funded where needed.

## **DEBT SERVICE**

As part of the FY 2010-11 Budget, the Board approved using up to \$5 million in installment financing to fund critical street and sidewalk needs. Due to the length of time needed to design these projects and to conduct the bidding process, the debt service will not actually begin until this year. We are recommending we add one additional project to the list and borrow up to \$7.1 million. That additional project is the second phase of the White Street Streetscapes Project which is under design currently. Support of downtown revitalization is critical to the long term financial health of our community. With interest rates at record lows, now is the time to complete this project. The Electric Fund will repay the General Fund \$226,250 toward the loan to close out the NC98 substation project. This is accelerated from original projections, but the financial health of the Electric Fund will allow it and the General Fund can use the funds. Debt service is allocated to the appropriate department or division. Installment purchase proceeds will be used to purchase vehicles.

## **FIRE SERVICES/OTHER AGENCIES**

The Wake Forest Fire Department is doing their part to hold down expenditures. They requested that their funding remain at the rate of \$0.10 per \$100 of tax value this year. Our intentions are to retain the fire impact fees paid by developers for the construction of the fourth fire station as planned.

The Chamber of Commerce and the Downtown Revitalization Corporation have slight increases in their requests. All other groups currently receiving funding are budgeted at current levels. No new groups are recommended for funding.

## **FUTURE NEEDS AND ISSUES**

For the past thirteen years the Town Board has held a planning session in the early part of the year to discuss current issues and set long range goals for the Town. While the goals set at the January 2011 planning session were fewer in number, we have incorporated them into this document. It is important for the Board to continue to schedule planning sessions each year to establish the framework for the next year.

The biggest challenge we face in the short term continues to be dealing with the issues created by the economy. We must remain vigilant in monitoring what the Federal and State governments do because that will affect us whether it is loss of revenues or unfunded mandates passed down to us. We also must continue a conservative approach to revenue estimates and spending decisions. This business formula has been successful. It has also helped us to avoid the crisis budget management that others have faced.

## **SUMMARY**

This was by far one of the toughest budgets to prepare in my eighteen year tenure as manager. Many worthwhile requests by Department Heads had to be cut. No stone was left unturned as we literally got down to the "nickels and dimes" to balance this budget. Our goal was to meet our critical needs but do it in a prudent and cost effective way. This FY 2011-12 Town budget accomplishes that goal. It provides the resources to meet our challenges. It maintains services at current levels while providing the funding to improve the infrastructure of the Town. It maintains stable tax and utility rates. This budget attempts to hold down expenditures wherever possible but at the same time recognizing the needs of the community.

I would like to thank all of the staff for their assistance in preparing this document. We are ready to assist the Board in finalizing the budget over the next few weeks.

Respectfully submitted,



Mark S. Williams  
Town Manager